Lephalale Local Municipality
Financial statements
for the year ended 30 June 2018

General Information

Nature of business and principal activities	Local Municipality
Mayoral committee	
Executive Mayor	Hon MJ Maeko
Councillors	Cllr. KR Molokomme (Speaker)
	Cllr. SJ Thulare (Chief Whip)
	Cllr. WM Motlokwa (Executive Comm)
	Cllr. ML Shongwe (Executive Comm)
	Cllr. AE Basson (Executive Comm)
	Cllr. MM Semenya (Executive Comm)
	Cllr. MJ Marakalala
	Cllir. NJ Motebele
	Cllr. LF Monare
	Cllr. LS Manamela
	Cllr. P Molekwa
	Cllr. ME Maisela
	Cllr. MJ Selokela
	Cllr. SM Niewoudt
	Cllr. RT Modise
	Cllr. R Maropeng
	Cllr. NH Pienaar
	Cllr. SL Seabi
	Cllr. KM Mogohloana
	Cllr. MM Makgae
	Cllr. MF Masita
	Cllr. MR Modiba
	Cllr. RM Mabasa
	Cllr. MM Madibana
	Cllr. SJ Moselane
Grading of local authority	3
Accounting Officer	Edith Tukakgomo
Chief Finance Officer (CFO)	Malesela Langa
Registered office	Corner Joe Slovo Street & Douwater Avenue Onverwacht Lephalale 0557
Business address	Corner Joe Slovo Street & Douwater Avenue Onverwacht Lephalale 0557
Postal address	Private Bag X136 Onverwacht Lephalale 0557
Bankers	ABSA Bank

General Information

Preparer	The financial statements were internally compiled by: Sakkie Jooste, Maggie Ntwampe, Mabu Manaka, Malesela Langa, Amogelang Marope Budget and Treasury Management
Published	31 August 2018

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The financial statements set out on pages 7 to 69, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

Edith Tukakgomo
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 6 times per annum as per its approved terms of reference. During the current year x number of meetings were held.

Name of member	Number of meetings attended
Mphelo P (Chairperson)	6
Maake N	5
Maeyane K	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.
The audit committee is satisfied with the content and quality of monthly and qualiterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Audit Committee Report

Date: ______________________________

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The operating results for the year were satisfactory for the following reasons. The financial position of the municipality is.

Net surplus of the municipality was 23 514 480 (2017: deficit 2 302 149), and - (2018: -).

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year 30 June 2018.

4. Accounting policies

The financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Corporate governance

General

The Council retains full control over the municipality, its plans and strategy. The council acknowledges its responsibility as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally by the municipality.

Remuneration

The remuneration of the Accounting Officer and Section 56 managers are determined by the Upper Limits for senior managers .

Audit and risk committee

For the current financial year the chairperson of the risk committee was Mr Mogakuludi Sebeelo. The committee met 4 times during the financial year to review matters necessary to fulfil its role.

Ms. Mphelo P was the chairperson of the audit committee for the financial year under review. The committee met 6 times during the year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Municipality, must appoint members of the Audit Committee. National Treasury policy requires that parent municipalities should appoint further members of the municipality's audit committees who are not directors of the municipal entity onto the audit committee.

Internal audit

The municipality has an indipendent internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

6. Bankers

The municipality has its primary bank account with ABSA Bank Limited

Accounting Officer's Report

7. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	9	1 111 155	1 704 394
Consumer Debtors from non-exchange transactions	10	51 341 708	39 449 794
Consumer debtors from exchange transactions	11	131 515 000	97 325 357
Debt Arrangement	6	3 845 087	8 159 594
Sundry Deposit	7	11 542 976	11 542 976
Other Receivables from non-exchange transactions	8	11 825 578	12 115 318
Cash and cash equivalents	12	10 133 952	1 134 344
		221 315 456	**171 431 777**
Non-Current Assets			
Property, plant and equipment	3	1 498 723 953	1 474 858 057
Intangible assets	4	857 632	498 413
Heritage assets	5	77 000	77 000
Debt Arrangement	6	225 584	668 132
		1 499 884 169	**1 476 101 602**
Total Assets		**1 721 199 625**	**1 647 533 379**
Liabilities			
Current Liabilities			
Loans	15	492 517	451 923
Finance lease obligation	13	6 710 452	14 119 969
Payables from exchange transactions	17	119 803 958	68 927 713
VAT payable	18	12 013 067	7 766 424
Consumer deposits	19	11 723 027	12 150 657
Unspent conditional grants and receipts	14	5 569 656	22 080 128
Provisions	16	3 427 921	2 076 074
		159 740 598	**127 572 888**
Non-Current Liabilities			
Loans	15	2 522 618	3 024 814
Finance lease obligation	13	73 485 194	79 850 626
Provisions	16	84 990 922	60 139 238
		160 998 734	**143 014 678**
Total Liabilities		**320 739 332**	**270 587 566**
Net Assets		**1 400 460 293**	**1 376 945 813**
Accumulated surplus		1 400 460 293	1 376 945 813

* See Note

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	240 931 939	241 221 976
Rental of facilities and equipment	22	216 508	190 609
Interest Earned - Outstanding Receivables		22 442 917	20 703 494
Licences and permits		7 632 877	7 528 013
Building fees		579 234	672 833
Other income		2 356 698	5 796 154
Interest Earned - External investments	24	1 245 305	2 412 536
Total revenue from exchange transactions		**275 405 478**	**278 525 615**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	51 789 788	51 179 909
Transfer revenue			
Government Grants and Subsidies	27	230 079 374	176 247 083
Public contributions and donations	28	1 606 362	40 138
Fines		814 341	1 549 676
Total revenue from non-exchange transactions		**284 289 865**	**229 016 806**
Total revenue	20	**559 695 343**	**507 542 421**
Expenditure			
Employee related costs	29	(168 443 979)	(159 917 693)
Remuneration of councillors	30	(9 831 852)	(8 895 631)
Depreciation and amortisation	31	(74 813 112)	(77 921 584)
Impairment loss/ Reversal of impairments	32	(295 740)	(102 688)
Finance costs	33	(17 408 397)	(17 991 313)
Debt Impairment	34	(6 548 815)	(8 181 541)
Collection costs		-	(4 002 387)
Repairs and maintenance		(22 334 272)	(23 543 714)
Bulk purchases	35	(125 308 443)	(124 079 138)
Contracted services	36	(19 084 464)	(16 935 410)
Transfers and Subsidies	26	(600 000)	(1 540 928)
General Expenses	37	(74 222 125)	(66 732 543)
Total expenditure		**(518 891 199)**	**(509 844 570)**
Operating surplus (deficit)		**40 804 144**	**(2 302 149)**
Donation of Asset Received		155 000	-
Transfer of Electricity Infrustructure Asset to Eskom		(17 444 664)	-
		(17 289 664)	**-**
Surplus (deficit) for the year		**23 514 480**	**(2 302 149)**

* See Note

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**1 379 247 962**	**1 379 247 962**
Changes in net assets		
Deficit for the year	(2 302 149)	(2 302 149)
Total changes	(2 302 149)	(2 302 149)
Restated* Balance at 01 July 2017	**1 376 945 813**	**1 376 945 813**
Changes in net assets		
Surplus for the year	23 514 480	23 514 480
Total changes	23 514 480	23 514 480
Balance at 30 June 2018	**1 400 460 293**	**1 400 460 293**

Note(s)

* See Note

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		42 635 702	49 248 429
Sale of goods and services		242 370 887	266 786 651
Grants		213 568 902	163 942 525
Interest income		1 217 920	2 666 436
Other receipts		2 356 698	2 946 154
		502 150 109	485 590 195
Payments			
Employee costs		(173 190 769)	(165 317 830)
Suppliers		(164 542 338)	(219 565 752)
Finance costs		(17 408 397)	(12 907 574)
Other payments		(600 000)	(1 540 928)
		(355 741 504)	(399 332 084)
Net cash flows from operating activities	40	**146 408 605**	**86 258 111**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(122 634 587)	(98 438 415)
Purchase of Intangible assets	4	(537 859)	-
Net cash flows from investing activities		**(123 172 446)**	**(98 438 415)**
Cash flows from financing activities			
Repayment of loans		(461 602)	(423 807)
Finance lease payments		(13 774 949)	(19 740 967)
Net cash flows from financing activities		**(14 236 551)**	**(20 164 774)**
Net increase/(decrease) in cash and cash equivalents		**8 999 608**	**(32 345 078)**
Cash and cash equivalents at the beginning of the year		1 134 344	33 479 422
Cash and cash equivalents at the end of the year	12	**10 133 952**	**1 134 344**

* See Note

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	241 175 000	(3 171 000)	**238 004 000**	240 931 939	**2 927 939**	N/A
Rental of facilities and equipment	312 000	(49 000)	**263 000**	216 508	**(46 492)**	A1
Interest received (trading)	22 910 000	1 400 000	**24 310 000**	22 442 917	**(1 867 083)**	N/A
Licences and permits	9 900 000	-	**9 900 000**	7 632 877	**(2 267 123)**	A2
Building Fees	850 668	-	**850 668**	579 234	**(271 434)**	A3
Other income	18 824 000	(5 602 000)	**13 222 000**	2 356 698	**(10 865 302)**	A4
Interest received - investment	3 019 000	(1 200 000)	**1 819 000**	1 245 305	**(573 695)**	A5
Total revenue from exchange transactions	**296 990 668**	**(8 622 000)**	**288 368 668**	**275 405 478**	**(12 963 190)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	49 201 000	1 000 000	**50 201 000**	51 789 788	**1 588 788**	
Transfer revenue						
Government grants & subsidies	219 534 000	331 000	**219 865 000**	230 079 374	**10 214 374**	
Public contributions and donations	567 112	(400 000)	**167 112**	1 606 362	**1 439 250**	
Fines, Penalties and Forfeits	393 000	30 000	**423 000**	814 341	**391 341**	
Total revenue from non-exchange transactions	**269 695 112**	**961 000**	**270 656 112**	**284 289 865**	**13 633 753**	
Total revenue	**566 685 780**	**(7 661 000)**	**559 024 780**	**559 695 343**	**670 563**	
Expenditure						
Personnel	(178 268 000)	10 486 000	**(167 782 000)**	(168 443 979)	**(661 979)**	
Remuneration of councillors	(9 740 000)	313 000	**(9 427 000)**	(9 831 852)	**(404 852)**	
Depreciation and amortisation	(72 623 000)	(4 715 000)	**(77 338 000)**	(74 813 112)	**2 524 888**	
Impairment loss/ Reversal of impairments	-	-	**-**	(295 740)	**(295 740)**	
Finance costs	(11 342 000)	-	**(11 342 000)**	(17 408 397)	**(6 066 397)**	
Debt Impairment	(1 650 000)	400 000	**(1 250 000)**	(6 548 815)	**(5 298 815)**	
Repairs and maintenance	(22 863 367)	381 000	**(22 482 367)**	(22 334 272)	**148 095**	
Bulk purchases	(144 023 000)	800 000	**(143 223 000)**	(125 308 443)	**17 914 557**	
Transfers and Subsidies	(1 407 000)	707 000	**(700 000)**	(600 000)	**100 000**	
General Expenses	(64 358 000)	(3 372 000)	**(67 730 000)**	(93 306 589)	**(25 576 589)**	
Total expenditure	**(506 274 367)**	**5 000 000**	**(501 274 367)**	**(518 891 199)**	**(17 616 832)**	
Surplus before taxation	**60 411 413**	**(2 661 000)**	**57 750 413**	**40 804 144**	**(16 946 269)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**60 411 413**	**(2 661 000)**	**57 750 413**	**40 804 144**	**(16 946 269)**	

The accounting policies on pages 14 to 45 and the notes on pages 46 to 69 form an integral part of the financial statements.

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the municipality would suffer an additional deficit of - in its 2018 financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management’s estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

1.4 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	25-30
• Mobile Homes		05-10
• Caravans		05-10
• Residence		25-30
Furniture and fixtures	Straight line	05-08
Motor vehicles	Straight line	05-08

1.4 Property, plant and equipment (continued)

Office equipment	Straight line	03-05
Computer software	Straight line	05-08
Other Buildings	Straight line	
• Library		25-30
Community	Straight line	
• Building		25-30
• Recreational Facility		25-30
• Halls		25-30
Other property, plant and equipment	Straight line	10-15
Park facilities	Straight line	25-30
Vehicles	Straight line	
• Specialised		10-15
Plant and Equipment	Straight line	
• Specialised		10-15
Roads	Straight line	
• Kerb and Channels		40-50
• Municipal Roads - Asphalt		10-20
• Gravel surface		03-10
Wastewater network	Straight line	
• Pumpstation		30-55
Water network	Straight line	
• Pumpstations		30-50
• Reservoirs		30-30
• Supply/Reticulation		20-50
Electricity	Straight line	
• Lines - Underground		25-45
• Lines - Overhead		20-30
• Substations - Switchgear		20-30
Pedestrian Footpaths	Straight line	
• Footpaths		15-30
• Street Lighting		25-40
• Traffic Lights		15-20

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.4 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

1.5 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5-8

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.6 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Accounting Policies

1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.7 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.7 Financial instruments (continued)

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost
Other financial asset1	Financial asset measured at fair value
Other financial asset2	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost
Loan3	Financial liability measured at amortised cost
Other receivables1	Financial liability measured at amortised cost
Other receivables2	Financial liability measured at amortised cost
Other financial liability1	Financial liability measured at fair value
Other financial liability2	Financial liability measured at fair value

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

Initial recognition

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method..

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading..

Accounting Policies

1.7 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity..

1.8 Value Added Tax

Value Added Tax

The Municipality accounts for VAT on a payment basis as per Sec 15 of the VAT Act. Even though the Municipality has registered for VAT on payment basis to SARS, the annual financial statements have been prepared on an accrual basis of

accounting and as a result VAT is accounted for on accrual basis in the annual financial statements.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease (prime interest rate where the lease is not specific).

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Accounting Policies

1.10 Inventories (continued)

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

1.12 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an Municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting Municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting Municipality’s own creditors (even in liquidation) and cannot be paid to the reporting Municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting Municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- The Municipality’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from the Municipality’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the Municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the Municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the Municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate Municipality (a fund) and will have no legal or constructive obligation to pay furTther contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the Municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting Municipality) that are held by the Municipality (a fund) that is legally separate from the reporting Municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting Municipality's own creditors (even in liquidation), and cannot be returned to the reporting Municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting Municipality; or
- the assets are returned to the reporting Municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the Municipality's informal practices. Informal practices give rise to a constructive obligation where the Municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the Municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The Municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.13 Employee benefits (continued)

The Municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The Municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The Municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the Municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an Municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The Municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the Municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The Municipality offsets an asset relating to one plan against a liability relating to another plan when the Municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The Municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits

The Municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The Municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

1.16 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.10, 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

1.21 Unauthorised expenditure (continued)

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017-07-01 to 2018-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

Accounting Policies

1.24 Budget information (continued)

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Financial Statements

Figures in Rand	2018	2017

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods but are not relevant to its operations:

3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	70 828 158	-	70 828 158	70 673 158	-	70 673 158
Buildings	25 962 432	(14 067 941)	11 894 491	25 271 508	(13 388 663)	11 882 845
Infrastructure	1 703 722 550	(593 813 898)	1 109 908 652	1 662 129 166	(526 566 502)	1 135 562 664
Community	96 899 510	(17 763 515)	79 135 995	67 262 898	(14 834 398)	52 428 500
Other property, plant and equipment	80 953 633	(47 967 199)	32 986 434	78 922 933	(43 892 778)	35 030 155
Work in progress	166 972 535	-	166 972 535	141 061 343	-	141 061 343
Other leased Assets - Smart Meters	32 126 774	(5 129 086)	26 997 688	32 064 302	(3 844 910)	28 219 392
Total	**2 177 465 592**	**(678 741 639)**	**1 498 723 953**	**2 077 385 308**	**(602 527 251)**	**1 474 858 057**

Reconciliation of property, plant and equipment - 2018

	Opening balance	**Additions**	**Transfers received**	**Transfers**	**Depreciation**	**Impairment loss**	**Total**
Land	70 673 158	155 000	-	-	-	-	70 828 15
Buildings	11 882 845	-	690 924	-	(679 278)	-	11 894 49
Infrastructure	1 135 562 664	-	41 593 384	-	(66 955 408)	(291 988)	1 109 908 65
Community	52 428 500	-	29 636 613	-	(2 929 028)	(90)	79 135 99
Other property, plant and equipment	35 030 155	1 316 565	714 135	-	(4 070 759)	(3 662)	32 986 43
Work in Progress	141 061 343	115 990 978	-	(90 079 786)	-	-	166 972 53
Other Finance leased (smart metres)	28 219 392	62 472	-	-	(1 284 176)	-	26 997 68
	1 474 858 057	**117 525 015**	**72 635 056**	**(90 079 786)**	**(75 918 649)**	**(295 740)**	**1 498 723 95**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	69 572 003	1 101 155	-	-	-	-	70 673 15
Buildings	12 584 074	-	-	-	(701 229)	-	11 882 84
Infrastructure	1 173 715 557	1 709 198	27 619 713	-	(67 387 896)	(93 908)	1 135 562 66
Community	48 120 094	749 022	5 770 600	-	(2 211 216)	-	52 428 50
Other property, plant and equipment	40 581 027	659 492	-	-	(6 201 584)	(8 780)	35 030 15
Work in progress	80 569 588	93 881 181	-	(33 389 426)	-	-	141 061 34
Other leased Assets - Smart Meters	29 158 167	338 304	-	-	(1 277 079)	-	28 219 39
	1 454 300 510	**98 438 352**	**33 390 313**	**(33 389 426)**	**(77 779 004)**	**(102 688)**	**1 474 858 05**

4. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1 562 877	(705 245)	857 632	1 025 018	(526 605)	498 413

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer Software	498 413	537 859	(178 640)	857 632

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer Software	622 442	(124 029)	498 413

5. Heritage assets

	2018			2017		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Mayoral Chain	77 000	-	77 000	77 000	-	77 000

6. Debt Arrangement

	2018	2017
Debt Arrangements	4 070 671	8 827 726
Short - Term Portion	(3 845 087)	(8 159 594)
Long-term Portion	**225 584**	**668 132**

Figures in Rand	2018	2017

7. Sundry Deposit

Deposit Paid to Eskom	11 542 976	11 542 976

Deposits paid to Eskom for the main account.

8. Other receivables from non - exchange transactions

Traffic Fines	2 897 491	2 386 986
Other Receivables	10 552 272	11 279 873
Less: Impairment - Traffic Fines	(1 651 570)	(1 551 541)
	11 798 193	**12 115 318**

9. Inventories

Consumable stores	335 891	428 779
Maintenance materials	408 226	783 016
Spare parts	329 056	458 427
Water	37 982	34 172
	1 111 155	**1 704 394**

10. Consumer Debtors from non-exchange transactions

Gross balance	74 192 754	57 987 059
Less: Allowance for Impairment	(22 851 046)	(18 537 265)
	51 341 708	**39 449 794**

Consumer debtors from non-exchange transactions - Age analysis

Rates		
Current (0 - 30 Days)	11 519 057	8 029 952
31 - 60 Days	3 326 791	2 126 057
61 - 90 Days	1 935 505	1 565 914
91 - 120 Days	1 725 213	1 431 694
121 - 365 Days	7 019 255	5 221 900
> 365 Days	30 827 171	21 074 277
	56 352 992	**39 449 794**

Summary of debtors by Customer Classification

Consumers		
Current (0 - 30 Days)	14 239 162	10 424 810
31 - 60 Days	3 101 610	2 270 758
61 - 90 Days	1 994 994	1 460 580
91 - 120 Days	1 955 285	1 431 508
121 - 365 Days	6 997 349	5 122 916
> 365 Days	18 680 102	13 676 122
Less Allowance for Impairment	(15 642 489)	(14 273 694)
	31 326 013	**20 113 000**

Figures in Rand	2018	2017

10. Consumer Debtors from non-exchange transactions (continued)

Industrial/Commercial/Agricultural		
Current (0 - 30 Days)	3 052 239	2 234 613
31 - 60 Days	1 254 760	918 638
61 - 90 Days	1 133 771	830 059
91 - 120 Days	937 888	686 649
121 - 365 Days	3 455 212	2 529 638
> 365 Days	21 590 641	15 806 993
Less Allowance for Impairment	(7 208 557)	(4 263 570)
	24 215 954	**18 743 020**

National and Provincial Departments		
Current (0 - 30 Days)	152 867	111 917
31 - 60 Days	67 587	49 482
61 - 90 Days	48 321	35 377
91 - 120 Days	47 799	34 995
121 - 365 Days	224 860	164 625
> 365 Days	269 593	197 375
	811 027	**593 771**

11. Consumer debtors from exchange transactions

Gross balances		
Electricity	73 309 385	65 050 814
Water	55 947 558	42 988 430
Sewerage	30 990 951	23 428 597
Refuse	29 663 076	22 173 760
	189 910 970	**153 641 601**

Less: Allowance for impairment		
Electricity	(30 384 003)	(29 542 651)
Water	(14 432 865)	(13 287 949)
Sewerage	(7 826 967)	(7 809 974)
Refuse	(5 752 135)	(5 675 670)
	(58 395 970)	**(56 316 244)**

Net balance		
Electricity	42 925 382	35 508 163
Water	41 514 693	29 700 481
Sewerage	23 163 984	15 618 623
Refuse	23 910 941	16 498 090
	131 515 000	**97 325 357**

Consumer debtors from exchange transactions - Age analysis

Electricity		
Current (0 -30 days)	13 920 958	12 324 481
31 - 60 days	6 957 882	5 863 877
61 - 90 days	4 843 544	3 966 678
91 - 120 days	3 832 493	2 573 240
121 - 365 days	9 662 830	8 135 556
> 365 days	3 707 675	2 644 331
	42 925 382	**35 508 163**

Notes to the Financial Statements

Figures in Rand	2018	2017

11. Consumer debtors from exchange transactions (continued)

Water		
Current (0 -30 days)	8 926 884	7 621 445
31 - 60 days	3 661 991	2 127 921
61 - 90 days	2 465 958	1 317 379
91 - 120 days	1 654 533	1 132 336
121 - 365 days	9 899 772	7 218 781
> 365 days	14 905 555	10 282 619
	41 514 693	**29 700 481**

Sewerage		
Current (0 -30 days)	2 807 416	1 580 122
31 - 60 days	1 615 417	844 601
61 - 90 days	1 457 844	609 977
91 - 120 days	1 341 515	553 014
121 - 365 days	3 297 211	2 846 413
> 365 days	12 644 581	9 184 496
	23 163 984	**15 618 623**

Refuse		
Current (0 -30 days)	10 428 292	7 209 070
31 - 60 days	1 317 749	771 812
61 - 90 days	1 754 006	574 203
91 - 120 days	1 628 940	528 750
121 - 365 days	2 196 009	1 559 165
> 365 days	6 585 945	5 855 090
	23 910 941	**16 498 090**

Notes to the Financial Statements

Figures in Rand	2018	2017

11. Consumer debtors from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	21 720 499	18 691 233
31 - 60 days	10 845 154	8 314 222
61 - 90 days	7 420 741	5 799 304
91 - 120 days	10 940 613	8 542 492
121 - 365 days	22 787 620	19 751 030
> 365 days	49 433 542	41 449 889
	123 148 169	102 548 170
Less: Allowance for impairment	(45 008 248)	(43 405 316)
	78 139 921	**59 142 854**

Industrial/ commercial		
Current (0 -30 days)	6 916 047	4 737 637
31 - 60 days	3 548 932	1 947 610
61 - 90 days	2 813 096	1 759 822
91 - 120 days	2 456 679	1 455 776
121 - 365 days	6 649 160	5 363 123
> 365 days	36 190 998	33 512 641
	58 574 912	48 776 609
Less: Allowance for impairment	(13 387 722)	(12 910 929)
	45 187 190	**35 865 680**

National and provincial government		
Current (0 -30 days)	1 032 356	766 831
31 - 60 days	103 015	98 941
61 - 90 days	92 549	79 213
91 - 120 days	82 114	69 002
121 - 365 days	700 554	589 387
> 365 days	771 642	713 450
	2 782 230	**2 316 824**

Total		
Current (0 -30 days)	32 074 563	25 163 854
31 - 60 days	14 497 101	10 474 567
61 - 90 days	10 326 386	7 662 627
91 - 120 days	13 479 406	10 115 983
121 - 365 days	30 137 334	25 845 076
> 365 days	89 396 180	74 379 494
	189 910 970	153 641 601
Less: Allowance for impairment	(58 395 970)	(56 316 244)
	131 515 000	**97 325 357**

Less: Allowance for impairment		
31 - 60 days	(3 072 355)	(2 866 356)
61 - 90 days	(3 212 357)	(3 194 390)
91 - 120 days	(2 414 638)	(2 328 643)
121 - 365 days	(1 205 235)	(1 085 161)
> 365 days	(48 491 385)	(46 841 694)
	(58 395 970)	**(56 316 244)**

Notes to the Financial Statements

Figures in Rand	2018	2017

11. Consumer debtors from exchange transactions (continued)

Total debtor past due but not impaired

31 - 60 days	13 392 793	11 352 028
61 - 90 days	9 727 921	8 245 601
91 - 120 days	12 841 636	10 884 855
121 - 365 days	18 468 487	15 654 298
> 365 days	54 669 961	46 339 468
	109 100 798	**92 476 250**

Reconciliation of allowance for impairment

Balance at beginning of the year	(56 316 244)	(51 206 040)
Contributions to allowance	(2 079 726)	(5 110 204)
	(58 395 970)	**(56 316 244)**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17 000	17 000
Bank balances	10 116 952	9 941 655
	10 133 952	**9 958 655**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating

Investments	9 941 655	6 343 548
Cash and Cash equivalents	4 423 380	4 938 743
	14 365 035	**11 282 291**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA Bank - Lephalale Branch - Current Accout - 1470000038	4 423 380	4 938 743	13 798 136	175 297	(5 226 204)	(2 872 130)
ABSA Bank - Lephalale Branch Call Account 4072894439	3 641 255	27 939	30 033 452	3 641 255	27 939	30 033 452
ABSA Bank Lephalale Branch Call Account 9296917939	-	15 209	950	-	15 209	950
ABSA Bank Lephalale Branch Fixed Deposit 2069158294	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400
Total	**14 365 035**	**11 282 291**	**50 132 938**	**10 116 952**	**1 117 344**	**33 462 672**

Figures in Rand	2018	2017

13. Finance lease obligation

Minimum lease payments due		
- within one year	16 633 651	14 119 969
- in second to fifth year inclusive	59 640 336	71 885 524
- later than five years	58 397 829	72 948 249
	134 671 816	158 953 742
less: future finance charges	(54 464 948)	(64 983 147)
Present value of minimum lease payments	**80 206 868**	**93 970 595**

Present value of minimum lease payments due		
- within one year	6 721 675	6 936 169
- in second to fifth year inclusive	27 911 274	20 638 001
- later than five years	45 573 919	66 396 425
	80 206 868	**93 970 595**

Non-current liabilities	73 485 194	79 850 626
Current liabilities	6 710 452	14 119 969
	80 195 646	**93 970 595**

Finance lease payments represents capital redemption payable by the Municipality for Zeeland water treatment works. The Municipality entered into a contract with Exxaro for the construction of the plant on loan basis which is repayable over 15 years at a fixed interest rate of 13%

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
EXXARO	657 896	657 896
Department of water affairs	4 128 934	19 854 919
Department of local government and housing	782 826	1 207 776
Local Economic Development Projects	-	28 319
Electrification Grants	-	331 218
	5 569 656	**22 080 128**

Movement during the year

Balance at the beginning of the year	22 080 128	34 384 685
Additions during the year	123 627 000	77 380 000
Income recognition during the year	(140 137 472)	(89 684 557)
	5 569 656	**22 080 128**

See note for reconciliation of grants from National/Provincial Government.

15. Loans

At amortised cost		
DBSA Loan	3 015 135	3 476 737
Terms and conditions		

Notes to the Financial Statements

Figures in Rand	2018	2017

15. Loans (continued)

DBSA at amortised cost. The interest rate of 8.83% and quartely repayment. Settlement date 31 March 2023

Non-current liabilities		
At amortised cost	2 522 618	3 024 814
Current liabilities		
At amortised cost	492 517	451 923

16. Provisions

Non-current liabilities	84 990 922	60 139 238
Current liabilities	3 427 921	2 076 074
	88 418 843	**62 215 312**

Defined benefits plan		
Liability as at 1 July	52 395 450	45 966 739
Benefits Paid	(1 515 172)	(1 156 414)
Current services cost	3 159 370	2 862 898
Interest	5 132 804	4 470 770
Actual lisses recognised in statement of financial performance	(3 934 686)	251 457
	55 237 766	**52 395 450**

Retirement benefit information		
Liability as at 1 July	9 819 862	7 669 340
Benefits paid	(560 902)	(656 799)
Current services cost	968 830	801 275
Interest	848 054	612 969
Actual lisses recognised in statement of financial performance	(143 641)	1 393 077
	10 932 203	**9 819 862**

The employees have the option to belong to a Medical Aid. The Municipality has taken a decision to contribute to medical aid of employees after retirement until their death. Non - medical - Employees retiring will receive R1307.00 a month as contribution to their health.

Principal actuarial assumptions of valuation model used		
Discount rate	9.82%	9.94 %
Health care cost inflation rate	7.68%	8.81%

17. Payables from exchange transactions

Trade Creditors	63 390 217	23 169 439
Payments received in advanced	16 600 764	12 864 482
Retentions	21 348 876	15 575 343
Accrued leave	12 238 993	11 444 059
Accrued bonus	3 740 617	3 405 146
Other payables	2 484 491	2 469 244
	119 803 958	**68 927 713**

Figures in Rand	2018	2017

17. Payables from exchange transactions (continued)

The fair value of trade and other payables approximates their carrying amounts.
Annual bonuses are paid one year in arrear as the employee complete a full year service. Annual bonuses accrue on monthly basis as the employee continues in employment.
The provision for the bonus is calculated using the basic salary of the employee as at year end and the number of months the bonus accrued since last bonus payment or from employment date for new employee.

18. VAT payable

VAT refunds payables	12 013 067	7 766 424

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

19. Consumer deposits

Water and Electricity	9 964 519	10 478 979
Other deposits	1 758 508	1 671 678
	11 723 027	**12 150 657**

20. Revenue

Service charges	240 931 939	241 221 976
Rental of facilities and equipment	216 508	190 609
Interest Earned - Outstanding Debtors	22 442 917	20 703 494
Licences and permits	7 632 877	7 528 013
Building Fees	579 234	672 833
Other Income	2 356 698	5 796 154
Interest Earned - External Investment	1 245 305	2 412 536
Property Rates	51 789 788	51 179 909
Government Grants & Subsidies	230 079 374	176 247 083
Public Contributions and Donations	1 606 362	40 138
Fines, Penalties and Forfeits	814 341	1 549 676
	559 695 343	**507 542 421**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	240 931 939	241 221 976
Rental of facilities and equipment	216 508	190 609
Interest Earned - Outstanding Debtors	22 442 917	20 703 494
Licences and permits	7 632 877	7 528 013
Building Fees	579 234	672 833
Other income	2 356 698	5 796 154
Interest Earned - External Investment	1 245 305	2 412 536
	275 405 478	**278 525 615**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	51 789 788	51 179 909
Transfer revenue		
Government grants & subsidies	230 079 374	176 247 083
Public contributions and donations	1 606 362	40 138
Fines, Penalties and Forfeits	814 341	1 549 676
	284 289 865	**229 016 806**

Notes to the Financial Statements

Figures in Rand	2018	2017

21. Service charges

Sale of electricity	170 068 953	177 227 524
Sale of water	39 517 331	36 033 601
Sewerage and sanitation charges	17 576 733	15 826 431
Refuse removal	13 768 922	12 134 420
	240 931 939	**241 221 976**

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities and equipments	216 518	190 609

23. Other revenue

Building Fees	579 234	672 833
Other income	2 356 698	5 796 154
	2 935 932	**6 468 987**

24. Investment revenue

Interest revenue		
Bank	1 245 305	2 412 536

25. Property rates

Rates received

Property rates	51 789 788	51 179 909

Valuations

Residential	4 186 599 000	4 181 129 000
Commercial	1 087 555 000	1 032 555 000
State	39 210 000	39 210 000
Municipal	548 464 000	574 744 000
Agricultural	9 086 948 000	9 040 918 000
Sectional Title	990 831 000	989 961 000
Exempted	393 775 000	388 355 000
Other	17 450 000	14 410 000
	6 350 832 000	**6 261 282 000**

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on a monthlyl basis to take into account changes in individual property values due to alterations and subdivisions. The previous valuation roll was extended by the MEC as per MPRA for one year.
A different rate is applied to property valuations to determine assessment rates. Rebates of R 30 000 is granted to each residential property owners.
Rates are levied on an annual basis with the final date for payment being 30 June of each financial year. Interest at 18% per annum is levied on annual rates one month after the due date for payment.

26. Grants and subsidies paid

Other subsidies		
Grants and subsidies paid	600 000	1 540 928

Notes to the Financial Statements

Figures in Rand	2018	2017

27. Government grants and subsidies

Operating grants		
Equitable share	109 247 921	94 514 002
Municipal Infrastructure Grant	58 712 001	54 074 166
Department of Water and Sanitation	45 871 066	14 920 063
Expanded Public Works Programme	1 215 000	1 215 000
Municipal System Infrastructure Grant	-	44 546
Financial Management Grant	1 700 000	1 625 000
Local Government SETA	281 989	150 588
Waterberg District Municipality	266 910	3 034 936
Electrification Grants	12 331 218	6 668 782
Department of Local Governmant and Housing	453 269	-
	230 079 374	**176 247 083**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	123 627 000	77 380 000
Unconditional grants received	109 248 000	94 514 000
	232 875 000	**171 894 000**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of 6kl of water and 50KWH of electricity which is funded from the grant..

EXXARO

Balance unspent at beginning of year	657 896	657 896

Conditions still to be met - remain liabilities (see note 14).

The grant was received from EXXARO assisting municipality to build hawkers stalls.

Finance Management Grant

Current-year receipts	1 700 000	1 625 000
Conditions met - transferred to revenue	(1 700 000)	(1 625 000)
	-	-

Conditions has been met .

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	18 341 166
Current-year receipts	58 712 000	36 355 000
Conditions met - transferred to revenue	(58 712 000)	(54 074 166)
Paid back to National Treasury	-	(622 000)
	-	-

Conditions has been met.

Municipal System Infrastructure Grant

Figures in Rand	2018	2017

27. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	44 546
Conditions met - transferred to revenue	-	(44 546)
	-	-

Conditions has been met .

Local Government SETA

Current-year receipts	281 989	150 588
Conditions met - transferred to revenue	(281 989)	(150 588)
	-	-

Conditions still to be met - remain liabilities (see note 14).

This grant is received from local government for skills development subsidy.

Extended Public Works Programme

Current-year receipts	1 215 000	1 215 000
Conditions met - transferred to revenue	(1 215 000)	(1 215 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

.

Waterberg District Municipality Grant

Current-year receipts	266 910	3 034 936
Conditions met - transferred to revenue	(266 910)	(3 034 936)
	-	-

Conditions has been met.

Department of Water and Sanitation

Balance unspent at beginning of year	19 854 919	14 104 983
Current-year receipts	50 000 000	31 185 000
Conditions met - transferred to revenue	(45 871 066)	(14 915 064)
Paid back to National Treasury	(19 854 919)	(10 520 000)
	4 128 934	**19 854 919**

Conditions still to be met - remain liabilities (see note 14).

This Grant is used to fund Municipal infrastructure water Projects

The funds were paid back to National Treasury because it was not spent.

Department of local government and housing

Balance unspent at beginning of year	1 207 776	1 207 776
Conditions met - transferred to revenue	(424 950)	-
	782 826	**1 207 776**

Notes to the Financial Statements

Figures in Rand	2018	2017

27. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14).

Local Economic Development Projects

Balance unspent at beginning of year	28 319	28 319
Conditions met - transferred to revenue	(28 319)	-
	-	**28 319**

Conditions still to be met - remain liabilities (see note 14).

Electrification Grant

Balance unspent at beginning of year	331 218	-
Current-year receipts	12 000 000	7 000 000
Conditions met - transferred to revenue	(12 331 218)	(6 668 782)
	-	**331 218**

Conditions still to be met - remain liabilities (see note 14).

This Grant is used for electrification projects to provide basic services for the benefits of poor household

28. Public contributions and donations

Public contributions - Unconditional	1 606 362	40 138

The funds was received from the clients for the new connection of water and electricity

Figures in Rand	2018	2017

29. Employee related costs

Basic	93 632 124	88 009 994
Bonus	7 883 620	7 137 603
Medical aid - company contributions	7 726 447	7 120 186
UIF	779 311	780 669
Leave pay provision charge	5 818 237	5 579 478
Defined contribution plans	20 516 012	19 256 679
Travel, motor car, accommodation, subsistence and other allowances	9 396 293	9 206 468
Overtime payments	9 902 887	10 132 780
Standby Allowances	1 589 294	1 395 987
Housing benefits and allowances	975 887	967 786
Phone Allowances	1 117 451	1 080 761
Staff uniform	2 322 797	2 631 109
	161 660 360	**153 299 500**

Remuneration of Municipal Manager

Annual Remuneration	1 074 910	1 032 092
Car Allowance	123 269	153 474
Performance Bonuses	-	92 989
Contributions to UIF, Medical and Pension Funds	239 396	243 595
Other	91 183	12 161
	1 528 758	**1 534 311**

Mrs EM Tukakgomo is appointed as the Municipal Manager

Remuneration of Chief Finance Officer

Annual Remuneration	575 586	-
Car Allowance	153 340	-
Performance Bonuses	57 952	-
Contributions to UIF, Medical and Pension Funds	143 397	-
Acting Allowances	119 639	172 498
	1 049 914	**172 498**

Mr C J Jooste was Acting as Chief Financial Office until 31 August 2017 and Mr M S Langa was appointed as Chief Financial Officer from 01 September 2017

Executive Manager Strategic Support Services

Annual Remuneration	-	40 816
Car Allowance	-	15 945
Performance Bonuses	-	18 600
Contributions to UIF, Medical and Pension Funds	-	8 837
Acting Allowance	63 334	33 614
Other	-	(1 040)
	63 334	**116 772**

Executive Manager Development Planning

Annual Remuneration	704 605	581 127
Car Allowance	171 368	155 400
Performance Bonuses	-	77 676

Notes to the Financial Statements

Figures in Rand	2018	2017

29. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	164 376	148 623
Acting Allowances	74 337	10 853
	1 114 686	**973 679**

Miss BC Radipabe was appointed as Executive Manager Development Planning

Executive Manager Corporate Services

Annual Remuneration	806 153	703 167
Car Allowance	153 754	161 774
Performance Bonuses	-	74 873
Contributions to UIF, Medical and Pension Funds	221 644	202 643
Other	65 040	43 924
	1 246 591	**1 186 381**

Mr M G Makgamatha was appointed as Executive Manager Corpoate Support Services.

Executive Manager Social Services

Annual Remuneration	691 103	781 421
Car Allowance	201 847	229 582
Performance Bonuses	-	136 471
Contributions to UIF, Medical and Pension Funds	167 535	185 914
Other	129 777	43 816
	1 190 262	**1 377 204**

Mr L S Thobane's contract as Executive Manager Social Services ended 30 April 2018 and Mr J R Teffo was appointed as Acting Executive Manager Social Services from 01 May 2018.

Executive Manager Infrastructure

Annual Remuneration	403 018	734 921
Car Allowance	50 535	121 285
Performance Bonuses	-	122 981
Contributions to UIF, Medical and Pension Funds	79 135	187 453
Other	57 386	90 708
	590 074	**1 257 348**

Mr K L Tlhako is appointed as Executive Manager Infrastructure Services and his contract ended on 30 November 2017, and Mr R J Ngobeli was appointed as Acting Executive Manager Infrastructure.

Reconciliation of Employee Related Cost

Staff	161 660 360	153 299 500
Section 54A and Section 56	6 783 619	6 618 193
	168 443 979	**159 917 693**

30. Remuneration of Councillors

Renumeration of Councillors	9 831 852	8 895 631

The Mayor, Speaker, Chief Whip and one Executive Committee Memebrs are full - time. Each is provided with an office and secretarial support at the cost of the council. The Mayor has use of Council owned vehicle for official duties and has a driver.

Notes to the Financial Statements

Figures in Rand	2018	2017

31. Depreciation and amortisation

Property, plant and equipment	74 813 112	77 921 584

32. Impairment of assets

Impairments		
Property, plant and equipment	295 740	102 688
The main classes of assets affected by impairment losses are:		
- Community assets		
- Other assets		
- Infrastructure assets		

The main classes of assets affected by impairment losses are:

-Community assets

-Other Assets

-Infrastructure assets

33. Finance costs

Interest on external borrowings	17 408 397	17 991 313

34. Debt impairment

Debt impairment	6 548 815	8 181 541

35. Bulk purchases

Electricity	114 025 340	114 303 737
Water	11 283 103	9 775 401
	125 308 443	**124 079 138**

The Municipality is purchasing Bulk Water from EXXARO and ESKOM and Bulk Electricity from Eskom

36. Contracted services

Other Contracted Services	19 084 464	16 935 410

Notes to the Financial Statements

Figures in Rand	2018	2017

37. General expenses

Advertising	355 812	256 993
Bank charges	1 682 704	1 696 823
Cleaning	20 027	352 831
Consumables	2 708 188	5 492 072
Entertainment	279 055	476 120
Conferences and seminars	141 846	158 895
Levies	1 736 850	1 655 040
Motor vehicle expenses	1 405	32 996
Fuel and oil	4 719 692	4 077 036
Postage and courier	535 293	518 966
Printing and stationery	960 224	1 281 115
Telephone and fax	1 710 393	1 711 720
Training	1 157 328	1 970 154
Travel - local	4 553 654	5 576 633
Skills Development Levy	1 481 069	1 390 597
Post Employement Medical Benefit	(703 308)	4 630 008
Municipal Consumption	467 175	431 622
Rental Of Office Equipment	542 759	458 844
Other expenses	51 871 959	34 564 078
	74 222 125	**66 732 543**

38. Gains /(loss) on Sale or Donated Assets

39. Operating lease

The municipality entered into a lease contract with ABSA for the lease of two SUV motor vehicles for a period of 36 months or 120 000km.

Details of lease contract:
Total Value of contract R1 685 034.94 (vat exclusive)
Assets leased: Mercedez GLE & BMW X 4
Monthly lease payments: R27 726.62 and R19 079.90 respectively

Minimum lease payments due		
Within One year	561 678	561 678
In second to third year inclusive	1 123 356	880 012
	1 685 034	**1 441 690**

Figures in Rand	2018	2017

40. Cash generated from operations

Surplus (deficit)	23 514 480	(2 302 149)
Adjustments for:		
Depreciation and amortisation	74 813 112	77 921 584
Gain on sale of assets and liabilities	17 289 664	-
Impairment deficit	295 740	102 688
Debt impairment	6 548 815	8 181 541
Movements in provisions	27 333 936	8 579 233
Changes in working capital:		
Inventories	593 239	146 370
Consumer debtors	(41 324 502)	(9 157 975)
Other receivables from non-exchange transactions	289 740	(489 694)
Payables from exchange transactions	49 745 840	10 070 929
VAT	4 246 643	4 745 058
Unspent conditional grants and receipts	(16 510 472)	(12 304 558)
Consumer deposits	(427 630)	765 084
	146 408 605	**86 258 111**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	49 963 181	86 153 991
• Community	1 237 364	1 685 962
• Other	3 698 585	7 216 189
	54 899 130	**95 056 142**

Not yet contracted for and authorised by accounting officer		
• Infrastructure	5 941 140	8 593 640
• Community	5 368 590	5 368 590
• Other	241 996	359 446
	11 551 726	**14 321 676**

Total capital commitments		
Already contracted for but not provided for	54 899 130	95 056 142
Not yet contracted for and authorised by accounting officer	11 551 726	14 321 676
	66 450 856	**109 377 818**

42. Contingencies

CONTIGENT LIABILITIES
The Legal Claims listed are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable .Amount have not been provided in certain cases as the court has not yet determined a value. The claims are divided in the under mentioned groups ..

1. K P PAUL AND E PAUL
K P Paul and E Paul are suing the municipality for damages of R228 000.They claim they suffered loss due to the Municipality not supply them with electricity due to infrastructure capacity constraints.The matter is set for hearing on 24 April 2012.The matter has been posponed indefinetely to allow the Attorneys of Council to amend its plea as new facts arose after the plea was filed. The estimated legal cost and disbursment is R571 713.61.

2. RHINE VHANE CIVIL CONSTRUCTION CC & JOHAN FERDINARD BARNARD
The municipality sold stands in Extension 50 for R1.00 per square meter around 2005, then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchaser Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.
Rhine Vhane Civil Construction as one of the purchasers which developed in the area are claiming R11 652 225.18 as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R300 000

3. JOHAN FERDINARD BARNARD
The municipality sold stands in Extension 50 for R1.00 per square meter around 2005, then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.
Johan Ferdinard Barnard as one of the purchasers which developed in the area are claiming R4 934 544.43 as unjust enrichment.
The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R300 000

4. EDWARD JAMES DANIEL DE VILLIERS
The municipality sold stands in Extension 50 for R1 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.
Edward James Daniel De Villiers as one of the purchasers which developed in the area are claiming R2 774 200 and R19 808 774 as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R42 510 069.54.

42. Contingencies (continued)

5. CHRISTAAN LOURENS ERASMUS
The municipality sold stands in Extension 50 for R1 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.
Christiaan Lourens Erasmus as one of the purchasers which developed in the area are claiming R8 899 716 as unjust enrichment. The matter is at pleading stage and the parties are currently negitiating settlement. Legal costs are estimated at R16 780 385.64

6.SAMWU ON BEHALF OF KABELO LESEKA
Former employee of the Municipality instituted an arbitration in the South Africa Local Municipality Goverment Bargaining Council.The matter was set for hearing on the 17th,18th and 19th October 2017.Legal cost are estimated to R 240 500.00

7.**INVESTIGATION OF CONTRAVENTION OF THE ENVIROMENTAL MANAGEMENT ACT BY CERTAIN INDIVIDUAL FO THE MUNICIPLITY**
Warrant of search executed agaist the Municipality.Council working further investigating the matter in this regard. Legal costs are estimated R 942 251 .08

8.FRENCH RURAL DEVELOPMENT.
Our Intruction are to rescind default judgement granted agaist our client and defend the action.we filled application for rescission which is opposed and parties are now trying to settle the matte. Legal costs are estimated to R 34 729 050.00

9. MAHLAKA ANDRIES MASHILO
Mahlaka Andries Mashilo issued summons in the Magistrate Court of Lephalale for general and medical damages to the amount of R 199 400 as a result of an alleged pain and sufferings caused by Councillor Selokela and Walter Lefawane. The plaintiff joined the Municipality in the proceeding because he alleges that when the fight erupted amongst him and Councillor Selokela and Walter Lefawane, they were acting within the scope of their employment duties as employees of the municipality and therefore the municipality must be held vicariously liable for the alleged actions of the employees.
Legal costs are estimated R 206 130.21

10. MMALEREPO INVESTMENT
Mmalerepo Investments was one of the service providers that were appointed by the municipality on an as and when required basis for the repair and maintenance of municipal sewer pumps. They were then never given any order with regard to their appointment. They as a result of that issued summons against the municipality in the polokwane high court in the amount of R 8 500 000. Legal cost are estimated R 8 860 118.84

Contingent Assets

1. LEPHALALE VS BLUE HORIZON INVESTMENT
Details of the case: Around 2008 the municipality entered into a service level agreement with Blue Horizon Investments whereby the Municipality undertook to provide bulk services to extension 97 whereby Blue Horizon was the owner/developer of the said extension. In exchange for the services, Blue Horizon was to contribute about R9 800 000 towards bulk services, which to date they have failed to pay. Despite the demand by the municipality, Blue Horizon Investments has failed/refused to pay. Council appointed an attorney to claim the money on its behalf. The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R1 000 000.

Notes to the Financial Statements

Figures in Rand	2018	2017

43. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Ultimate controlling entity	Waterberg District Muncipality
Members of key management	Section 56 Managers, refer to salaries note
Members of key management	Name Name

Councillors Remuneration	**SALARY**	**CELLPHONE**	**TRAVELLIN G**	**TRAVELLIN G SUB**	**TOTAL PAID**
Clr. MJ Maeko - Mayor	619 811	33 600	206 604	-	860 014
Clr. KR Molokomme - Speaker	495 847	33 600	165 282	-	694 729
Clr. WM Motlokwa - Exec Member	464 858	34 083	154 953	59 818	713 712
Clr. SJ Thulare - Chief Whip	464 858	34 083	154 953	16 124	670 018
Clr. ML Shongwe - Exec Member	259 330	34 083	86 443	33 828	413 684
Clr. AE Basson- Exec Member	259 330	34 083	86 443	-	379 856
Clr. MM Semenya - Exec Member	259 330	34 083	86 443	49 809	429 665
Clr.MJ Marakalala - Chairperson MPAC	251 723	33 600	83 907	31 026	400 256
Clr. NJ Motebele - Chairperson EC	251 723	33 600	83 907	12 848	382 078
Clr. LF Monare - Chairperson SETC	251 723	33 600	83 907	8 339	377 569
Clr. LS Manamela	196 147	33 600	65 382	-	295 129
Clr. P Molekwa	196 147	33 600	65 382	59 386	354 515
Clr. ME Maisela	196 147	33 600	65 382	62 079	357 208
Clr. MJ Selokela	196 147	33 600	65 382	24 032	319 161
Clr. SM Niewoudt	196 147	33 600	65 382	1 676	296 805
Clr. RT Modise	196 147	33 600	65 382	61 850	356 979
Clr. R Maropeng	196 147	33 600	65 382	-	295 129
Clr. NH Pienaar	196 147	33 600	65 382	-	295 129
Clr. SL Seabi	196 147	33 600	65 382	34 437	329 566
Clr. Mogohloana	196 147	33 600	65 382	30 224	325 353
Clr. MM Makgae	196 147	33 600	65 382	19 032	314 161
Clr. MF Masita	196 147	33 600	65 382	16 570	311 699
Clr. MR Modiba	196 147	33 600	65 382	44 934	340 063
Clr. RM Mabasa	196 147	33 600	65 382	37 476	332 605
Clr. MM Madibana	196 147	33 600	65 382	34 619	329 748
Clr. SJ Moselane	196 147	33 600	65 382	-	295 129
Subtotal	6 716 885	876 015	2 238 954	638 107	10 469 960
	6 716 885	**876 015**	**2 238 954**	**638 107**	**10 469 960**

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
Waterberg District Municipality	-	685 380

Related party transactions

Services to Related Parties		
Waterberg District Municipality	-	3 034 935

44. Unauthorised expenditure

Unauthorised expenditure	26 073 452	61 240 085
Incurred during the year	17 616 832	17 053 570
Written off by council	(26 073 452)	(52 220 203)
	17 616 832	**26 073 452**

Notes to the Financial Statements

Figures in Rand	2018	2017

45. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	905 403	824 599
Incurred during the year	1 124 629	80 804
	2 030 032	**905 403**

The bookings for the flight and accomodation was done through travel counsellors. The cancelation was done late and which resulted in municipality being liable to pay the full invoice amount.

46. Irregular expenditure

Opening balance	178 054 790	138 682 950
Add: Irregular Expenditure - current year	8 892 096	39 371 840
	186 946 886	**178 054 790**

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	1 736 850	1 655 040
Amount paid - current year	(1 736 850)	(1 655 040)
	-	-

Audit fees

Current year subscription / fee	4 049 508	2 672 774
Amount paid - current year	(4 049 508)	(2 672 774)
	-	-

PAYE and UIF

Current year subscription / fee	26 637 800	24 166 146
Amount paid - current year	(26 637 800)	(24 166 146)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	44 050 641	41 187 760
Amount paid - current year	(44 050 641)	(41 187 760)
	-	-

VAT

VAT payable	12 013 067	7 766 424

VAT output payables and VAT input receivables are shown in note 18.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 30 days at 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Deviations	16 474 831	818 729

48. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	3 015 135	3 476 737

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

49. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements. The accounting officer has approved the deviations amounting to R 16 474 831

50. Distribution Losses

Water losses - TheMunicipality's water losses for 2018 and 2017 are 29.34% and 18.72% respectively. The losses are due to illegal connections in Marapong Township and the asbestos pipe in the network which breaks. The Municipality is in the process of replacing asbestos pipes and addressing the illegal connections in Marapong.

Water Losses		
Units Purchased (kl)	6 543 502	6 939 821
Units Sold (kl)	4 526 488	5 390 080
Average Cost Per Unit Purchased (cents per kl)	0.96	1.72
Net loss	2 016 133	1 318 213
% Loss of Water	29.34%	18.72%

Electricity losses - The Municipality's electricity losses for 2018 and 2017 are 4.81% and 6.30% respectively. The Municipality has installed electricity smart meters in order to reduce losses.

Electricity losses		
Units Purchased (kw/h)	122 265 864	132 522 900
Units Sold (kw/h)	116 385 866	120 595 618
Average Cost Per Unit Purchased (cents per kw/h)	R0.92	R0.94
Net loss	5 879 998	11 927 282
% Loss of Electricity	4.81%	6.30%

Lephalale Local Municipality
Appendix A

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at 30 June 2017 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2018 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
DBSA								
DBSA	1	31/03/2023	3 476 736	-	461 602	3 015 134	-	-
			3 476 736	**-**	**461 602**	**3 015 134**	**-**	**-**
Lease Liabilities								
Finance lease liabilities	1	27/06/2027	93 970 595	701 871	14 465 598	80 206 868	-	-
			93 970 595	**701 871**	**14 465 598**	**80 206 868**	**-**	**-**
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans								
DBSA			3 476 736	-	461 602	3 015 134	-	-
Lease Liabilities			93 970 595	701 871	14 465 598	80 206 868	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-

Lephalale Local Municipality
Appendix A

Schedule of external loans as at 30 June 2018

Loan Number	Redeemable	Balance at 30 June 2017 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2018 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		97 447 331	**701 871**	**14 927 200**	**83 222 002**	**-**	**-**

Lephalale Local Municipality
Lephalale Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	70 673 158	155 000	-	-	-	-	**70 828 158**	-	-	-	-	-	**-**	70 828 158
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Buildings (Office Biuldings Separate for AFS purposes)	25 271 508	-	-	690 924	-	-	**25 962 432**	(13 388 663)	-	-	(679 278)	-	**(14 067 941)**	11 894 491
	95 944 666	**155 000**	**-**	**690 924**	**-**	**-**	**96 790 590**	**(13 388 663)**	**-**	**-**	**(679 278)**	**-**	**(14 067 941)**	**82 722 649**
Infrastructure														
Roads	573 650 155	-	-	3 110 418	-	-	**576 760 573**	(189 462 796)	-	-	(26 883 833)	-	**(216 346 629)**	360 413 944
Storm water	30 119 840	-	-	-	-	-	**30 119 840**	(4 318 551)	-	-	(621 621)	-	**(4 940 172)**	25 179 668
Generation	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Transmission & Reticulation	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Street lighting	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Dams & Reservoirs	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Water	708 631 544	-	-	38 150 307	-	-	**746 781 851**	(190 337 303)	-	-	(24 781 370)	(67 139)	**(215 185 812)**	531 596 039
Reticulation	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Electricity Reticulation	196 262 700	-	-	332 659	-	-	**196 595 359**	(87 916 216)	-	-	(7 988 030)	(20 547)	**(95 924 793)**	100 670 566
Sewerage	138 377 326	-	-	-	-	-	**138 377 326**	(50 491 069)	-	-	(5 732 450)	(204 302)	**(56 427 821)**	81 949 505
Transportation	13 956 179	-	-	-	-	-	**13 956 179**	(3 444 302)	-	-	(925 502)	-	**(4 369 804)**	9 586 375
Fancing	91 581	-	-	-	-	-	**91 581**	(82 990)	-	-	(965)	-	**(83 955)**	7 626
Waste Management	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other Buildings (Non admin Buildings)	1 039 843	-	-	-	-	-	**1 039 843**	(513 276)	-	-	(21 637)	-	**(534 913)**	504 930
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other 1	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	1 662 129 168	**-**	**-**	**41 593 384**	**-**	**-**	**1 703 722 552**	**(526 566 503)**	**-**	**-**	**(66 955 408)**	**(291 988)**	**(593 813 899)**	**1 109 908 653**
Community Assets														
Parks & gardens	8 583 269	-	-	-	-	-	**8 583 269**	(1 460 058)	-	-	(351 959)	-	**(1 812 017)**	6 771 252
Sportsfields and stadium	11 181 911	-	-	26 038 188	-	-	**37 220 099**	(2 106 332)	-	-	(897 606)	(90)	**(3 004 028)**	34 216 071
Electricity	833 246	-	-	-	-	-	**833 246**	(86 759)	-	-	(33 287)	-	**(120 046)**	713 200
Water	-	-	-	1 791 327	-	-	**1 791 327**	-	-	-	(11 975)	-	**(11 975)**	1 779 352
Libraries	10 385 451	-	-	-	-	-	**10 385 451**	(3 565 444)	-	-	(325 595)	-	**(3 891 039)**	6 494 412
Fittings	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Clinics	2 051 129	-	-	-	-	-	**2 051 129**	(1 599 410)	-	-	(35 445)	-	**(1 634 855)**	416 274
Land and Buildings	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other Buildings	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Sanitation	8 882	-	-	-	-	-	**8 882**	(487)	-	-	(222)	-	**(709)**	8 173
Cemeteries	189 630	-	-	-	-	-	**189 630**	(115 666)	-	-	(5 752)	-	**(121 418)**	68 212
Community Assets	28 103 555	-	-	1 807 097	-	-	**29 910 652**	(5 180 035)	-	-	(1 034 779)	-	**(6 214 814)**	23 695 838
Community Centers	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Taxi Rank	760 472	-	-	-	-	-	**760 472**	(475 570)	-	-	(13 258)	-	**(488 828)**	271 644
Public Landfill Site	5 165 352	-	-	-	-	-	**5 165 352**	(244 637)	-	-	(219 150)	-	**(463 787)**	4 701 565
	67 262 897	**-**	**-**	**29 636 612**	**-**	**-**	**96 899 509**	**(14 834 398)**	**-**	**-**	**(2 929 028)**	**(90)**	**(17 763 516)**	**79 135 993**

Lephalale Local Municipality
Lephalale Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other	77 000	-	-	-	-	**-**	**77 000**	-	-	-	-	-	**-**	77 000
	77 000	**-**	**-**	**-**	**-**	**-**	**77 000**	**-**	**-**	**-**	**-**	**-**	**-**	**77 000**
Specialised vehicles														
Refuse	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Fire	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Conservancy	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Ambulances	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Buses	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
Motor vehicles	38 338 537	-	-	-	-	**-**	**38 338 537**	(20 424 202)	-	-	(1 344 947)	-	**(21 769 149)**	16 569 388
Plant & equipment	17 103 437	-	-	574 347	-	**-**	**17 677 784**	(10 384 628)	-	-	(735 531)	-	**(11 120 159)**	6 557 625
Computer Equipment	5 824 085	1 316 565	-	139 946	-	**-**	**7 280 596**	(3 070 197)	-	-	(773 929)	(3 662)	**(3 847 788)**	3 432 808
Computer Software (part of computer equipment)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Furniture & Fittings	8 033 995	-	-	-	-	**-**	**8 033 995**	(4 786 875)	-	-	(598 028)	-	**(5 384 903)**	2 649 092
Office Equipment	3 760 782	-	-	-	-	**-**	**3 760 782**	(2 460 323)	-	-	(252 370)	-	**(2 712 693)**	1 048 089
Office Equipment - Leased	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Abattoirs	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Markets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Airports	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Security measures	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Civic land and buildings	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other buildings	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other land	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Bins and Containers	3 588 349	-	-	-	-	**-**	**3 588 349**	(1 019 110)	-	-	(244 814)	-	**(1 263 924)**	2 324 425
Work in progress	141 061 343	115 990 978	-	(90 079 876)	-	**-**	**166 972 445**	-	-	-	-	-	**-**	166 972 445
Books	2 273 590	-	-	-	-	**-**	**2 273 590**	(1 747 443)	-	-	(121 140)	-	**(1 868 583)**	405 007
Other Assets - Leased (Smart Meters)	32 064 302	62 472	-	-	-	**-**	**32 126 774**	(3 844 910)	-	-	(1 284 176)	-	**(5 129 086)**	26 997 688
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Housing development	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	252 048 420	**117 370 015**	**-**	**(89 365 583)**	**-**	**-**	**280 052 852**	**(47 737 688)**	**-**	**-**	**(5 354 935)**	**(3 662)**	**(53 096 285)**	**226 956 567**

Lephalale Local Municipality
Lephalale Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Total property plant and equipment														
Land and buildings	95 944 666	155 000	-	690 924	-	**-**	**96 790 590**	(13 388 663)	-	-	(679 278)	-	**(14 067 941)**	82 722 649
Infrastructure	1 662 129 168	-	-	41 593 384	-	**-**	**1 703 722 552**	(526 566 503)	-	-	(66 955 408)	(291 988)	**(593 813 899)**	1 109 908 653
Community Assets	67 262 897	-	-	29 636 612	-	**-**	**96 899 509**	(14 834 398)	-	-	(2 929 028)	(90)	**(17 763 516)**	79 135 993
Heritage assets	77 000	-	-	-	-	**-**	**77 000**	-	-	-	-	-	**-**	77 000
Specialised vehicles	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other assets	252 048 420	117 370 015	-	(89 365 583)	-	**-**	**280 052 852**	(47 737 688)	-	-	(5 354 935)	(3 662)	**(53 096 285)**	226 956 567
	2 077 462 151	**117 525 015**	**-**	**(17 444 663)**	**-**	**-**	**2 177 542 503**	**(602 527 252)**	**-**	**-**	**(75 918 649)**	**(295 740)**	**(678 741 641)**	**1 498 800 862**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Biological assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	1 025 018	537 859	-	-	-	**-**	**1 562 877**	(526 605)	-	-	(178 640)	-	**(705 245)**	857 632
Other	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	1 025 018	**537 859**	**-**	**-**	**-**	**-**	**1 562 877**	**(526 605)**	**-**	**-**	**(178 640)**	**-**	**(705 245)**	**857 632**
Investment properties														
Investment property	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total														
Land and buildings	95 944 666	155 000	-	690 924	-	**-**	**96 790 590**	(13 388 663)	-	-	(679 278)	-	**(14 067 941)**	82 722 649
Infrastructure	1 662 129 168	-	-	41 593 384	-	**-**	**1 703 722 552**	(526 566 503)	-	-	(66 955 408)	(291 988)	**(593 813 899)**	1 109 908 653
Community Assets	67 262 897	-	-	29 636 612	-	**-**	**96 899 509**	(14 834 398)	-	-	(2 929 028)	(90)	**(17 763 516)**	79 135 993
Heritage assets	77 000	-	-	-	-	**-**	**77 000**	-	-	-	-	-	**-**	77 000
Specialised vehicles	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other assets	252 048 420	117 370 015	-	(89 365 583)	-	**-**	**280 052 852**	(47 737 688)	-	-	(5 354 935)	(3 662)	**(53 096 285)**	226 956 567
Agricultural/Biological assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Intangible assets	1 025 018	537 859	-	-	-	**-**	**1 562 877**	(526 605)	-	-	(178 640)	-	**(705 245)**	857 632
Investment properties	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	2 078 487 169	**118 062 874**	**-**	**(17 444 663)**	**-**	**-**	**2 179 105 380**	**(603 053 857)**	**-**	**-**	**(76 097 289)**	**(295 740)**	**(679 446 886)**	**1 499 658 494**

Lephalale Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	69 572 003	1 101 155	-	-	-	**-**	**70 673 158**	-	-	-	-	-	**-**	70 673 158
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Buildings (Office Building Separate for AFS purposes)	25 271 508	-	-	-	-	**-**	**25 271 508**	(12 687 434)	-	-	(701 229)	-	**(13 388 663)**	11 882 845
	94 843 511	**1 101 155**	**-**	**-**	**-**	**-**	**95 944 666**	**(12 687 434)**	**-**	**-**	**(701 229)**	**-**	**(13 388 663)**	**82 556 003**
Infrastructure														
Roads	555 393 568	18 296 219	-	-	-	**-**	**573 689 787**	(162 548 784)	-	-	(26 948 026)	-	**(189 496 810)**	384 192 977
Storm water	27 971 884	2 147 955	-	-	-	**-**	**30 119 839**	(3 706 569)	-	-	(611 982)	-	**(4 318 551)**	25 801 288
Generation	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Transmission & Reticulation	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Street lighting	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Dams & Reservoirs	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Water	708 631 543	-	-	-	-	**-**	**708 631 543**	(165 180 325)	-	-	(25 089 070)	(67 908)	**(190 337 303)**	518 294 240
Reticulation	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Electricity Reticulation	195 733 830	488 968	-	-	-	**-**	**196 222 798**	(79 836 186)	-	-	(8 063 035)	-	**(87 899 221)**	108 323 577
Sewerage	130 230 809	8 146 517	-	-	-	**-**	**138 377 326**	(44 734 423)	-	-	(5 730 802)	(25 845)	**(50 491 070)**	87 886 256
Transportation	13 707 197	249 252	-	-	-	**-**	**13 956 449**	(2 522 490)	-	-	(921 790)	(156)	**(3 444 436)**	10 512 013
Fancing	91 581	-	-	-	-	**-**	**91 581**	(81 895)	-	-	(1 094)	-	**(82 989)**	8 592
Waste Management	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other Buildings (Non admin Buildings)	1 039 843	-	-	-	-	**-**	**1 039 843**	(491 217)	-	-	(22 059)	-	**(513 276)**	526 567
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other (Land and Buildings)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	1 632 800 255	**29 328 911**	**-**	**-**	**-**	**-**	**1 662 129 166**	**(459 101 889)**	**-**	**-**	**(67 387 858)**	**(93 909)**	**(526 583 656)**	**1 135 545 510**
Community Assets														
Parks & gardens	4 088 340	-	-	-	-	**-**	**4 088 340**	(762 537)	-	-	(160 715)	-	**(923 252)**	3 165 088
Sportsfields and stadium	14 501 098	-	-	-	-	**-**	**14 501 098**	(2 069 817)	-	-	(495 362)	-	**(2 565 179)**	11 935 919
Electricity	794 345	-	-	-	-	**-**	**794 345**	(37 817)	-	-	(31 731)	-	**(69 548)**	724 797
Water	4 368	-	-	-	-	**-**	**4 368**	(564)	-	-	(146)	-	**(710)**	3 658
Libraries	10 385 451	-	-	-	-	**-**	**10 385 451**	(3 232 523)	-	-	(332 921)	-	**(3 565 444)**	6 820 007
Fittings	25 935	-	-	-	-	**-**	**25 935**	(2 947)	-	-	(3 751)	-	**(6 698)**	19 237
Clinics	2 051 129	-	-	-	-	**-**	**2 051 129**	(1 563 454)	-	-	(35 956)	-	**(1 599 410)**	451 719
Land and Buildings	913 441	-	-	-	-	**-**	**913 441**	-	-	-	(36 538)	-	**(36 538)**	876 903
Other Buildings	147 328	-	-	-	-	**-**	**147 328**	(18 695)	-	-	(5 368)	-	**(24 063)**	123 265
Sanitation	8 882	-	-	-	-	**-**	**8 882**	(265)	-	-	(222)	-	**(487)**	8 395
Cemeteries	189 630	-	-	-	-	**-**	**189 630**	(109 541)	-	-	(6 125)	-	**(115 666)**	73 964
Community Assets	26 406 211	1 071 893	-	-	-	**-**	**27 478 104**	(4 213 669)	-	-	(986 331)	-	**(5 200 000)**	22 278 104
Community Centres	-	749 022	-	-	-	**-**	**749 022**	-	-	-	(7 141)	-	**(7 141)**	741 881
Taxi Rank	760 472	-	-	-	-	**-**	**760 472**	(461 667)	-	-	(13 903)	-	**(475 570)**	284 902
Publi Landfill site	466 646	4 698 706	-	-	-	**-**	**5 165 352**	(149 633)	-	-	(95 005)	-	**(244 638)**	4 920 714
	60 743 276	**6 519 621**	**-**	**-**	**-**	**-**	**67 262 897**	**(12 623 129)**	**-**	**-**	**(2 211 215)**	**-**	**(14 834 344)**	**52 428 553**

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Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	77 000	-	-	-	-	-	**77 000**	-	-	-	-	-	-	77 000
	77 000	**-**	**-**	**-**	**-**	**-**	**77 000**	**-**	**-**	**-**	**-**	**-**	**-**	**77 000**
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
Motor vehicles	38 061 537	277 000	-	-	-	-	**38 338 537**	(17 395 875)	-	-	(3 028 327)	-	**(20 424 202)**	17 914 335
Plant & equipment	16 795 527	307 910	-	-	-	-	**17 103 437**	(9 142 855)	-	-	(1 132 771)	-	**(10 275 626)**	6 827 811
Computer Equipment	5 804 249	19 837	-	-	-	-	**5 824 086**	(2 421 657)	-	-	(648 540)	-	**(3 070 197)**	2 753 889
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	8 033 995	-	-	-	-	-	**8 033 995**	(4 080 392)	-	-	(700 113)	(8 780)	**(4 789 285)**	3 244 710
Office Equipment	3 760 782	-	-	-	-	-	**3 760 782**	(2 150 914)	-	-	(310 367)	-	**(2 461 281)**	1 299 501
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	3 588 349	-	-	-	-	-	**3 588 349**	(751 720)	-	-	(267 390)	-	**(1 019 110)**	2 569 239
Work in progress	80 939 986	93 881 182	-	(33 389 426)	-	-	**141 431 742**	-	-	-	-	-	-	141 431 742
Books	2 218 845	54 745	-	-	-	-	**2 273 590**	(1 608 813)	-	-	(142 100)	-	**(1 750 913)**	522 677
Other Assets - Leased (Smart Meters)	31 725 997	338 306	-	-	-	-	**32 064 303**	(2 567 831)	-	-	(1 277 079)	-	**(3 844 910)**	28 219 393
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	190 929 267	**94 878 980**	**-**	**(33 389 426)**	**-**	**-**	**252 418 821**	**(40 120 057)**	**-**	**-**	**(7 506 687)**	**(8 780)**	**(47 635 524)**	**204 783 297**

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Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	94 843 511	1 101 155	-	-	-	-	95 944 666	(12 687 434)	-	-	(701 229)	-	(13 388 663)	82 556 003
Infrastructure	1 632 800 255	29 328 911	-	-	-	-	1 662 129 166	(459 101 889)	-	-	(67 387 858)	(93 909)	(526 583 656)	1 135 545 510
Community Assets	60 743 276	6 519 621	-	-	-	-	67 262 897	(12 623 129)	-	-	(2 211 215)	-	(14 834 344)	52 428 553
Heritage assets	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	190 929 267	94 878 980	-	(33 389 426)	-	-	252 418 821	(40 120 057)	-	-	(7 506 687)	(8 780)	(47 635 524)	204 783 297
	1 979 393 309	**131 828 667**	**-**	**(33 389 426)**	**-**	**-**	**2 077 832 550**	**(524 532 509)**	**-**	**-**	**(77 806 989)**	**(102 689)**	**(602 442 187)**	**1 475 390 363**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	744 518	280 500	-	-	-	-	1 025 018	(256 298)	-	-	(148 020)	-	(404 318)	620 700
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	744 518	**280 500**	**-**	**-**	**-**	**-**	**1 025 018**	**(256 298)**	**-**	**-**	**(148 020)**	**-**	**(404 318)**	**620 700**
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total														
Land and buildings	94 843 511	1 101 155	-	-	-	-	95 944 666	(12 687 434)	-	-	(701 229)	-	(13 388 663)	82 556 003
Infrastructure	1 632 800 255	29 328 911	-	-	-	-	1 662 129 166	(459 101 889)	-	-	(67 387 858)	(93 909)	(526 583 656)	1 135 545 510
Community Assets	60 743 276	6 519 621	-	-	-	-	67 262 897	(12 623 129)	-	-	(2 211 215)	-	(14 834 344)	52 428 553
Heritage assets	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	190 929 267	94 878 980	-	(33 389 426)	-	-	252 418 821	(40 120 057)	-	-	(7 506 687)	(8 780)	(47 635 524)	204 783 297
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	744 518	280 500	-	-	-	-	1 025 018	(256 298)	-	-	(148 020)	-	(404 318)	620 700
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 980 137 827	**132 109 167**	**-**	**(33 389 426)**	**-**	**-**	**2 078 857 568**	**(524 788 807)**	**-**	**-**	**(77 955 009)**	**(102 689)**	**(602 846 505)**	**1 476 011 063**